

THE IDENTIFICATION AND PRIORITIZATION OF THE FACTORS INFLUENCING THE REDUCTION OF FINANCIAL VIOLATIONS AT MEHR-E-EQTESAD BANK-ZANJAN BRANCH

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ABSTRACT

The purpose of this study is to identify and prioritize the factors influencing the reduction of financial violations particularly at Mehr-e-Eqtasad Bank-Zanjan branch. The Research methodology is based on a descriptive survey and has a practical purpose. The population of this study includes 185 chief financial experts, auditors, employees and bank managers of Mehr-e-Eqtasad Bank-Zanjan branch. Cochran formula was used to determine the sample size for which 124 people were selected. The instrument used for data collection has confirmed edits validity and reliability. SPSS 19 was used based on statistical and inferential methods including T-tests, Kolmogorov - Smirnov tests, and Friedman and Kendall tests to analyze hypotheses, examine the normality of data and classify each variable. The results show that the research variables including compliance audits, Chief operating officers' technical skills, compensating the staff for the services, and the health of employment and control systems (inspection) are effective respectively.

Keywords: *Control System, Violation, Financial Corruption, Reduction of Financial Violations*

INTRODUCTION

The need to fight against financial violation phenomenon in our society has been recently discussed and in this regard, many lectures and recommendations from dignitaries, scholars and authorities are given. Financial violation is not a taboo that cannot be talked about, but it has become an issue that policy-makers, economic agents, civil society organizations, media and academic centers have been definitively involved in.

A lot of factors explain why this issue has got so much attention (Rabiee, 2004). Banks have significantly contributed to financial violations of other private organizations. Therefore this paper examines the factors influencing the reduction of financial violations at Mehr-e-Eqtasad Bank-Zanjan branch. The aim of this study is to adapt a part of literature from foreign studies which is inspiring and combine it with domestic researches to investigate effective factors influencing the reduction of financial violations at Mehr-e-Eqtasad Bank-Zanjan branch.

Statement of the Problem

Financial violation has been the concern of many governments, scholars and political thinkers all the time (Rabiee, 2004). Governments are obliged to consider this issue to protect their political legitimacy and stability because financial violations do not only make it dramatically difficult for the countries to develop, but also lead to riots, dissatisfaction and displacement of power in the societies. According to statistics released by the Transparency International, there is widespread corruption in Iran indicating that the condition is getting worse. So addressing the issue of financial violations in the country seems to be necessary.

“There are various reasons mentioned for financial violations in different countries such as economic poverty, employees' ravages of income, cultural poverty, lack of strong moral beliefs and preventive regulations, and control systems (Mahmoodi, 2005)”. The technical skills of managers ((a public administrator's skill level and ability to run various activities under his management)) as well as the

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health of employment ((according to the criteria of efficiency and non-discrimination in selection, appointment and promotion of staff)) are effective in reducing financial violations.

Reviewing the news related to the financial and economic corruption during recent years implies that financial corruption has a substantial share in the banking system and the whole economic sectors of the country (Rijckeghem, 1997). In this regard, Mehr-e-Eqtesad Bank in Zanzan has a special place because it is encountering a lot of obstacles in giving banking services and preventing financial violations to increase public confidence. Investigations show that if the factors influencing the reduction of financial violations are not exactly identified, financial violation will probably occur. So identifying those factors will reduce financial violation and require effective measures. In this study, the Identification and Prioritization of the factors influencing the reduction of Financial Violations at Mehr-e-Eqtesad Bank-Zanzan Branch is investigated.

Theoretical Principles of the Research

Violation

It refers to possessing, and unauthorized use of the sources of an organization or an individual's property deliberately in order to gain wealth and profits (Verjini, 1997).

Financial Violations

It is defined as any kind of illegal seizure of authority to use financial sources including embezzlement, bribery, extortion, economic rents, and illegal manipulation of funds and documents, collusion and using financial concessions of exploitation. So it can be said that financial violation refers to the abuse of public position for personal benefits (MansoorGhanaie, 2009).

Factors Influencing Financial Violations

The Health of Employment

Definition of Health in Employment

It refers to non-discrimination and considering efficient criteria in the selection, appointment and promotion of staff (FarhadiNejad, 2001).

Promotion

It is to promote to higher ranks and take the office which is more important than the previous one in terms of duties, responsibilities, power and authority (Kamali, 2001).

Appointment

It refers to the employment of a new employee to take office for the implementation of the related duties, responsibilities, power and authority (Kamali, same reference).

Employment

It means to give organizational commitment and accept all regulations and policies on behalf of an individual and guarantee the fulfillment of all requirements (Kamali, same reference).

Disregarding the health of employment i.e. discrimination and lack of attention to efficiency criteria in selection, appointment and promotion of staff increases violations in organizational environment. This is because it helps to create informal networks in the organization and by reducing costs of administrative violations, leads to the growth of violations. Establishment of a centralized system of selection and transparency for the results and process of election and making a logical and clear mechanism to appoint and promote the staff in an organization can constrain financial violation and its consequences.

Compliance Audit

Definition of Compliance Audit

The purpose of the compliance audit is to determine how provisions, policies, contracts, government regulations and internal controls are addressed by companies.

Compliance audit is to gather and evaluate evidence to reach findings related to the regulations and procedures and present a report. It should be noted that the criteria in the compliance audit is preset, so it plays no role in determining the appropriateness of the criteria (Moghadam, 2012).

This type of audit examines the financial statements in conformity with regulations, instructions and circulars including the investigation of financial statements and regulations of the companies by tax auditors and accountants of Court of Audits. This type of auditing project can be done individually or

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with the use of financial statements. In Iran, the compliance audits such as tax audits, insurance audits, and the audits of Court of Auditors are essential parts of auditing financial statements (Moghadam, 2012).

Compensation System

The Definition of Compensation System

It is defined as an optimal use of an integrated payment system through which various sub-units and their staff achieve the strategic objectives of the organization (Arabi, 2006).

On the rights of the employees, Imam Ali says: “O Malik, I recommend you to always satisfy your government employees. If the employee of the treasury betrays despite of receiving adequate salary, he will have excuses in the courtroom (Nahj-olBalagheh, 2000).”

If government employees feel that their payment and social status are lower than their efficiency and qualifications, they are inclined to take bribes particularly because the private sector pays more than the public sector (Arabi, same reference).

Control (Inspection)

Definition of Control or Inspection

"Control is a process through which managers evaluate the conformity of operations to the planned activities. In other words the controlling process is used to achieve the fundamental objectives of the organization (SeyedJavidan, 2007)." Experts define control as a systematic attempt to get standard objectives, design information feedback system, compare the actual components with predetermined standards, and determine possible deviations (Stoner, 2000).

About control and inspection, Imam Ali says: “O Malik, I recommend you to inspect your employees’ measures. Those who serve with dedication should actually be encouraged. On the other hand, the wicked are required to be punished according to Islamic regulations (Nahjol-Balagheh, same reference)”.

Chief Operating Officers’ Technical Skills

Definition of Skill

Skill is defined as the ability to convert knowledge to action resulting in an optimal performance. The list of skills and abilities that managers need is constantly evolving. "Managers seeking to learn new skills can survive in the world of advanced technology (Robbins, 2000)."

Technical Skills

It refers to the ability to apply the techniques and instruments required to perform a specific task that is obtained through experience and education. Such knowledge may include working with equipment, tools maintenance, accounting, working with computers, using technology, marketing, and advertising by documents (SeyedJavidan, 2007).

Chief Operating Officer (COO)

In terms of organizational levels, managers are classified into three levels including chief operating officers (first line managers), middle, and top managers. Chief operating officers are directly responsible for the production of goods and services and are often called supervisors, but they just control operating staff. These managers are the interface between the middle managers and operating officers. In fact, they work on the fire line where the operation takes place (Alpaslan *et al.*, 2008).

MATERIALS AND METHODS

Methodology

The research methodology is based on a descriptive survey. In this study, SPSS 19 was used to evaluate the reliability of questions through Cronbach's alpha and those questions which had a low rate of reliability were modified in the pre-test.

Table 1: Results of T-test

Results	Mean \bar{x}	Standard deviation	Statistic value of T-test	P-value	Hypotheses
pass	3.5115	0.69464	8.2	0.000	H1
pass	3.6573	0.60104	12.177	0.000	H2
pass	3.5874	0.64021	10.216	0.000	H3

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pass	3.4234	0.80911	5.827	0.000	H4
pass	3.3226	0.51457	6.981	0.000	H5

The normality of data was examined by Kolmogorov-Smirnov test and then by means of T-test the mean was measured according to Likert scale (which is 3) to approve or reject hypotheses. Finally Friedman Kendall test was used to evaluate the importance of each variable.

Reliability and Validity

In addition to the comments of specialists, the pre-test was used to make sure that the questionnaire is reliable. So the initial questionnaire was distributed among a group of 25 people who were requested to answer each question while expressing their agreement or disagreement.

Then based on the suggestions of the group, the necessary modifications were made in the questionnaire. Therefore Cronbach's alpha coefficient was used to determine the reliability of the questionnaire which is equal to 0.831.

Estimating the Sample Size

Due to the given population size (number of employees), the following formula (Cochran) is used:

$$n = \frac{Nz^2pq}{(N-1)e^2 + z^2pq} \quad (1)$$

If 124 employees are selected as sample, estimates obtained by the random sample, with 95% confidence, will be inconsistency with the actual data to a maximum of 5%. Simple random sampling was used.

Data Analysis

Hypotheses

H1: The reduction of financial violations is affected by compensating the services given by the employees.

H2: Compliance audits affect the reduction of financial violations.

H3: Chief operating officers' technical skills affect the reduction of financial violations.

H4: The health of employment affects the reduction of financial violations.

H5: Control (Inspection) affects the reduction of financial violations.

Discussions and Conclusion

Considering the values of Table 1, P-value is lower than 0.5 and the mean is more than 3 according to Likert scale. Because all secondary hypotheses are accepted, we can conclude that compliance audits, operating officers' technical skills, compensating the services given by the employees, the health of employment system, and control (inspection) affect financial violations from the perspective of experts at Mehr-e-Eqtesad bank.

Based on the results of Friedman test, all five variables do not have the same value. The statistic value of Kendall is 0.033 which indicates there is approximately 3.3% coordination between viewpoints. According to Friedman test, compliance audit has the most influence and control (inspection) has the least influence on the reduction of financial violations at Mehr-e-Eqtesad bank.

Many difficulties and obstacles facing the reduction of financial violations have structural nature and public and private institutions cannot solve them alone.

In addition, many problems and obstacles root back to information weakness and in efficiency of organizations. Since little research has been done on financial violations in developing countries, this study seeks to identify factors influencing the reduction of financial violations and focus on Mehr-e-Eqtesad Bank-Zanjan branch. The most important issue in this research is that the mentioned variables affect the reduction of financial violations and these factors are meant to achieve the objectives of the bank.

Research Suggestions

According to the data collected and analyzed, the suggestions are as follows:

Compensation the services given by the employees:

- Maintaining the employees' level of income proportionate to the monetary fluctuations and justice
- The formation of teams to assess the needs of employees and provide appropriate solutions
- The payment of sufficient incentive bonuses at the right time in cash and non-cash

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- Understanding the culture of foreign countries in compensating the services given by employees
Compliance Audit

- Clarification of the financial offices as well as the regulations of compliance audits
- Reviewing and modifying the methods and procedures to simplify action-oriented steps in compliance audits, streamline the operations and reduce wasting time
- Improving auditors' skills and scientific expertise.

Chief Operating Officers' Technical Skills

- Using managers' abilities, experiences and skills more than ever to make them promote and feel more secure.
- Promoting managers' creativity and innovation to make better and, if necessary, quicker decisions related to the time and conditions
- Designing and planning training programs to promote the quality of managers' technical skills and make necessary investments in this field.

The Health of Employment System

- Modification of traditional methods of employment
- Designing and implementing research projects to improve the health of employment systems in recruiting new forces
- Setting a standard and appropriate tool for assessing the ability and competence of staff and their reactions in procedures and promotions.

Control (Inspection)

- Designing and implementing an optimal control system using new and advanced instruments.
- The establishment of a stable legal framework to control and inspect.
- Investigating the causes of the violation after its identification

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